Weekly Economic Review

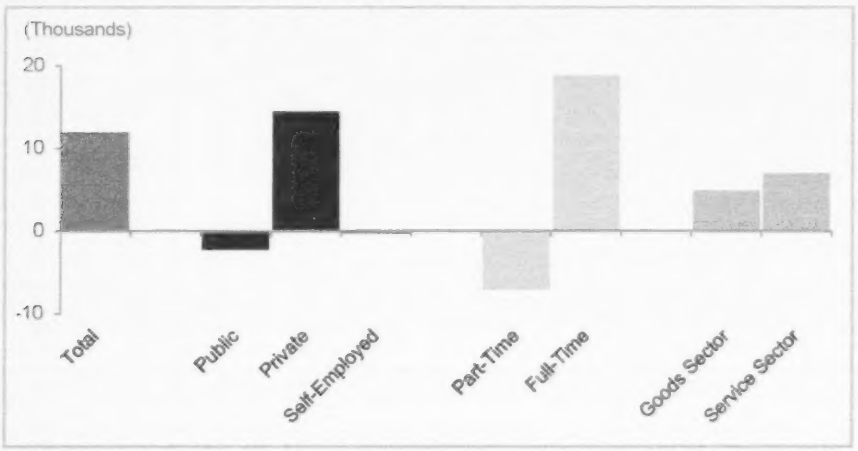
More Albertans employed in October

Employment

Strong job gains in private sector and full-time employment

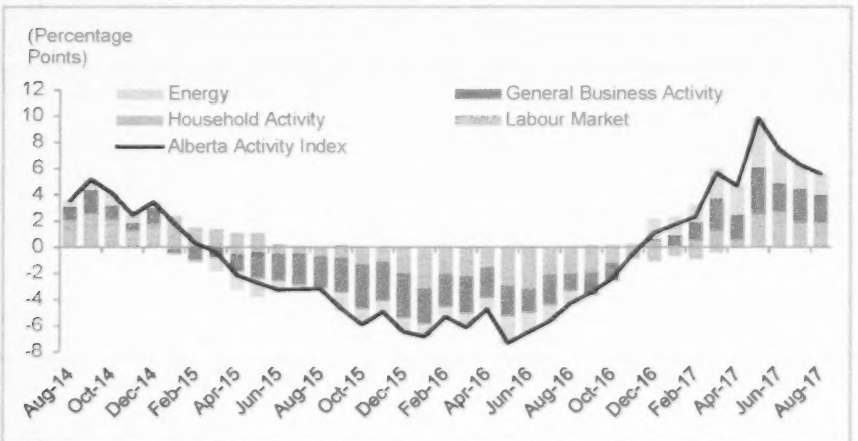
The labour market recovery got back on track heading into the last quarter of the year. The Alberta economy added 11,900 jobs in October, the strongest monthly gain since March. The private sector was responsible for all of the job gains (+14,500 month-over-month or m/m), while full-time employment surged to reach the highest level in almost two years (+18,900 m/m) (Chart 1). Goods sector employment also rose for the third straight month (+4,900 m/m) while service sector employment arrested a three-month slide (+7,000 m/m). As a result, the unemployment rate ticked down 0.1 percentage point to 7.8% in October. Alberta employment has increased by 40,900 since the July 2016 low and is up 0.9% year-to-date.

Chart 1: Gains in private sector, full-time positions lift employment
Monthly change in employment by type



Source: Statistics Canada

Chart 2: Alberta Activity Index (AAX) remains higher than last year
Contribution to year-over-year change in AAX



Source: Alberta Treasury Board and Finance

Alberta Activity Index

Activity levels off

The Alberta Activity Index (AAX), which is comprised of nine monthly indicators, was unchanged in August after contracting for two consecutive months. Mixed results across the nine indicators balanced out. Employment, retail trade, manufacturing shipments, new truck sales and oil production posted gains, while earnings, housing starts, wholesale trade and rigs drilling posted declines. Year-over-year, the AAX was up 5.6% from last August's depressed level and has recovered about two-thirds of recessionary losses (Chart 2).

Rigs Drilling

Modest increase in rigs drilling

The recovery in Alberta's drilling activity remains on track. The number of active rigs averaged 133 in October, up 5% from September (Chart 3). Despite the modest monthly uptick, rig counts were up 31% from last year and 85% year-to-date. Alberta's rig utilization rate also edged up to 31% in October. Meanwhile, rigs drilling in the rest of Canada increased by 43% year-over-year (y/y) to average 54 rigs. In the US, rig counts fell for a third straight month to 922 in October, but remained 70% higher compared to last year.

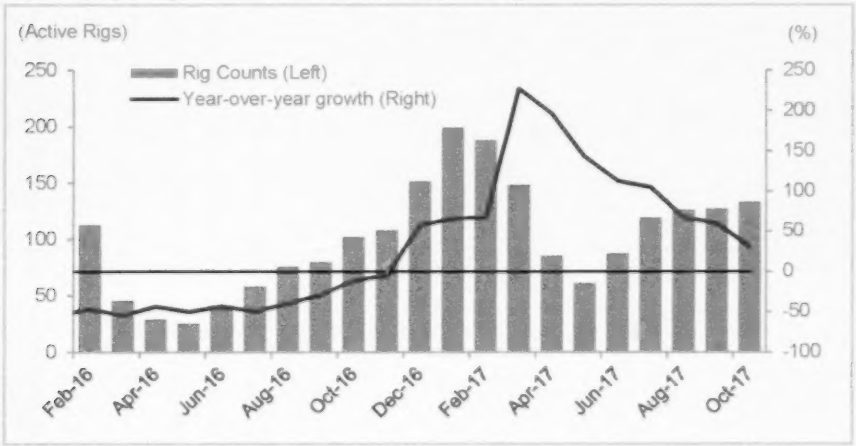
Metres Drilled for Oil and Gas

Metres drilled remains solid

Metres drilled for oil and gas also continues to improve this year albeit at a more modest pace. There was a total of 1.2 million metres drilled for oil and gas in August, an addition of 558 thousand metres from the same month last year. Meanwhile, the total number of completed wells remained double from August 2016, with the largest gain in conventional oil. Despite the increase, the total number of completed conventional oil wells was below average for this time of the year. Bitumen also posted a solid increase in the number of completed wells, while natural gas rose to 112 completed wells.

Chart 3: Year-over-year growth in rigs drilling continue to moderate

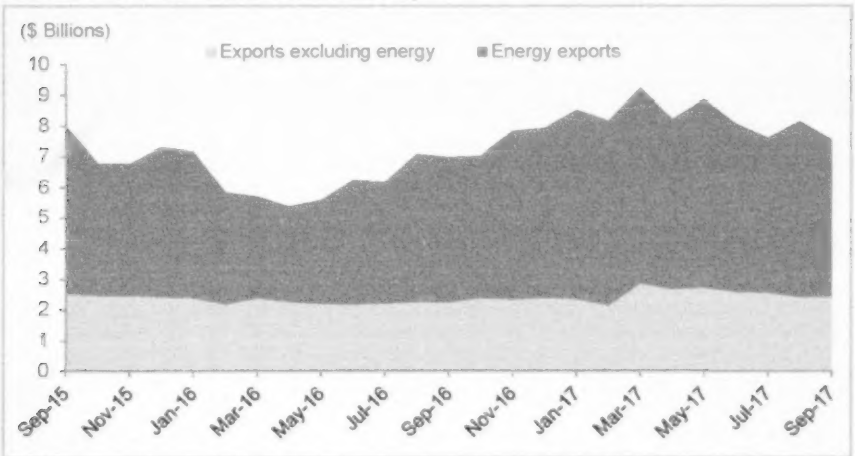
Year-over-year growth and number of rigs drilling



Source: Canadian Association of Oilwell Drilling Contractors

Chart 4: Energy exports backslide in September

Alberta's international merchandise exports



Source: Statistics Canada

Crude Oil Production

Seasonal maintenance curbs non-conventional output

Oil production in the province slipped slightly in September after hitting an all-time high in August. Crude oil production fell 5.6% m/m to 3.2 million barrels per day (bpd). The decline was due to maintenance shutdowns of upgraders and other oil sands facilities that typically occur prior to winter, which reduced production of both synthetic crude and bitumen. In particular, bitumen output edged down 2.1% from a record high set in the previous month when the 30,000 bpd Jacos Hangingstone expansion project came online. Meanwhile, conventional oil posted its largest monthly gain at least since 2008 (+4.2% m/m) as condensate production jumped to a nine-year high.

Merchandise Trade

Energy volumes take a hit

Alberta exports stepped back in September after rebounding in the previous month. The value of exports fell 7.6% m/m to $7.5 billion in September as energy exports tumbled 11% (Chart 4). The losses were mainly as a result of lower energy volumes as hurricane disruptions and fall maintenance reduced demand for Alberta's crude from US refineries. Excluding energy, exports ticked up 0.6% m/m as a bounce back in machinery and equipment was partially offset by a decline in chemical, plastics, and rubber products. Although overall exports have now declined in five of the previous eight months, they remain up 7.8% compared to last year, reflecting both higher energy and non-energy exports.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.